



Globe Life (GL)

Updated February 21st, 2024 by Tiago Dias

Key Metrics

Current Price:	\$125	5 Year CAGR Estimate:	12.2%	Market Cap:	\$11.6 B
Fair Value Price:	\$147	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	03/31/2024 ¹
% Fair Value:	85%	5 Year Valuation Multiple Estimate:	3.3%	Dividend Payment Date:	05/01/2024 ¹
Dividend Yield:	0.7%	5 Year Price Target	\$216	Years Of Dividend Growth:	18
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Globe Life is an insurance holding company providing primarily life and supplemental health insurance via direct to consumer, exclusive agents, and independent agents. Founded in 1979, this \$11.6 billion market cap company has raised its dividend every year for the past 18 years.

Globe Life reported Q4 and full year 2023 earnings on February 7th, 2024. For the quarter, earnings-per-share were \$2.88, above the \$2.46 the company reported in the same quarter of 2022. For the full year the company reported \$10.07 in earnings per share, above the \$9.04 per share reported the prior year. The results reflect the adoption of new accounting standards, which resulted in the restating of prior year's figures.

Return on equity (ROE) was 23.2% for the full year, and net sales for life and health increased over the year-ago quarters by 9% and 7% respectively. Health net sales rose by 12% and premiums increased by 9%. In total, Globe Life's net investment income grew by 6% compared to the year-ago quarter.

The company continued its share buyback program and repurchased 660,170 shares during the quarter for a total of \$77 million in capital returned to shareholders. For the full year the company repurchased 3.4 million shares at a total cost of \$380 million. The company has not yet announced its next dividend payment, but one is expected to be announced shortly.

The company raised its guidance to between \$11.30 and \$11.80 per share for the 2024 fiscal year.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$4.09	\$4.16	\$4.49	\$4.88	\$6.09	\$6.75	\$6.88	\$6.86	\$7.47	\$10.07	\$11.30	\$16.60
DPS	\$0.51	\$0.54	\$0.56	\$0.60	\$0.64	\$0.69	\$0.75	\$0.78	\$0.82	\$0.88	\$0.92	\$1.48
Shares	134	130	118	114	110	107	103	99	98	95	93.0	90.0

Insurance companies are stable non-cyclical businesses with generally reliable revenue and income streams which allow them to pay consistent dividends and return capital to shareholders. Globe Life is no different from many other insurance companies, and the business has been able to maintain revenue growth while holding margins steady over the past decade. This has led to a smooth increase in earnings per share, and subsequently a steady increase in the dividends paid to shareholders. The stability of the business, and the willingness of the management team to return capital to the shareholders has also resulted in regular stock buybacks. These have significantly decreased the number of shares outstanding over the past decade. Buybacks, when done at attractive valuations like the ones that Globe Life has had over the past decade, enable shareholders to increase their ownership stake in the business without suffering the tax drag inherent with dividends. Additionally, buybacks give the company the flexibility to pause such repurchases in case of financial trouble, without needlessly harming investors who rely on the stable dividend. We expect earnings growth of 8% annually, in-line with its historical norms. We also expect its dividend per share to increase at a slightly higher rate of 10%, stemming from the fact that it currently has an unusually low payout ratio, both historically, and in relation to its competitors.

¹ Estimated date.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/E	13.0	13.7	13.5	16.2	14.0	13.4	12.3	14.0	16.0	10.9	11.1	13.0
Avg. Yld.	1.0%	0.9%	0.9%	0.8%	0.8%	0.8%	0.9%	0.8%	0.6%	0.8%	0.7%	0.7%

Globe Life has traded at P/E ratios from 10 to 16 over the last decade. It has maintained a stable range, and one in-line with the historical averages of the insurance sector. The company's steady earnings growth and stable business lead us to estimate that in 2029 the business could be trading at the mid-point of its historical average of around a 13x P/E ratio.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	12%	13%	12%	12%	11%	10%	11%	11%	11%	9%	8%	9%

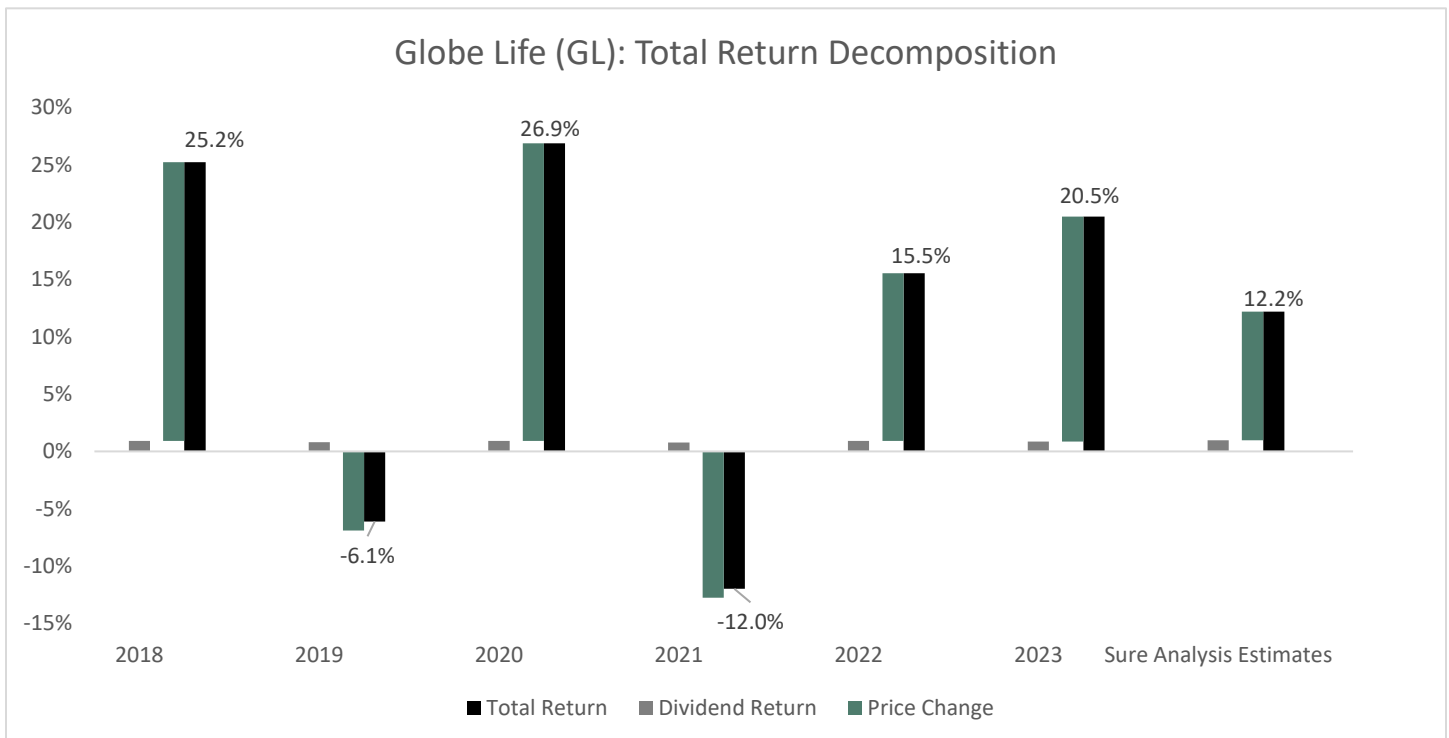
The company's steady business, consistent revenues and earnings, and low payout ratio mean that its growing dividend is secure and unlikely to be affected by any business downturn in the foreseeable future.

Additionally, the maturity of the insurance sector, the company's unusually high margins, and the high amounts of regulations that insurers must navigate, mean that the company is unlikely to face new entrants capable of meaningfully disrupting its business. This provides the company with a moat that it can use to ward off competition and gives Globe Life time to adapt in the event of meaningful changes to its market.

Final Thoughts & Recommendation

Despite its unattractive 0.7% dividend yield, we are forecasting total return potential of 12.2% per year, driven primarily by an 8.0% average annual increase in earnings and a small upward rerating in multiple. As a result of this, shares earn a Buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	3,494	3,620	3,766	3,935	4,156	4,315	4,528	4,742	5,119	5,215
SG&A Exp.	201	207	215	223	248	267	286	287	302	335
Net Profit	528	543	527	550	1,454	701	761	732	745	740
Net Margin	15.1%	15.0%	14.0%	14.0%	35.0%	16.3%	16.8%	15.4%	14.6%	14.2%
Free Cash Flow	1,108	845	1,083	1,374	1,409	1,233	1,322	1,435	1,399	1,394
Income Tax	248	257	250	233	(628)	162	170	165	167	167

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	18,192	20,272	19,853	21,436	23,475	23,096	25,977	29,047	29,768	25,537
Cash & Equivalents	37	66	61	76	119	121	76	95	92	93
Goodwill & Int.	442	442	442	442	442	442	442	442	482	482
Total Liabilities	14,415	15,575	15,798	16,869	17,244	17,681	18,683	20,276	21,125	20,641
Long-Term Debt	1,220	1,231	1,234	1,398	1,460	1,665	1,648	1,923	2,026	2,077
Total Equity	3,776	4,697	4,056	4,567	6,231	5,415	7,294	8,771	8,643	4,896
LTD/E Ratio	0.32	0.26	0.30	0.31	0.23	0.31	0.23	0.22	0.23	0.42

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	2.9%	2.8%	2.6%	2.7%	6.5%	3.0%	3.1%	2.7%	2.5%	2.7%
Return on Equity	13.0%	12.8%	12.0%	12.8%	26.9%	12.0%	12.0%	9.1%	8.6%	10.9%
ROIC	9.9%	9.9%	9.4%	9.8%	21.3%	9.5%	9.5%	7.5%	7.0%	8.4%
Shares Out.	134	134	130	118	114	110	107	103	99	100
Revenue/Share	25.04	27.29	29.71	32.15	34.93	37.44	40.65	44.22	49.62	52.68
FCF/Share	7.94	6.37	8.54	11.22	11.84	10.69	11.87	13.38	13.56	14.09

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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